

## Message Text

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64

ACTION EB-12

INFO OCT-01 ARA-16 EUR-25 EA-11 ISO-00 SP-03 AID-20 NSC-07

RSC-01 CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15 DRC-01

/197 W

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R 011547Z OCT 74

FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 9754

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY PARIS

AMEMBASSY OTTAWA

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY SANTIAGO

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E.O. 11652: N/A

TAGS: EFIN, CI, DA

SUBJECT: CHILE DEBT RESCHEDULING

REF: COPENHAGEN 1821

1. FONOFF OFFICIAL RESPONSIBLE FOR CHILE DEBT  
QUESTION (HANS BIERING) TOLD ECON COUNSELOR  
ON SEPT. 30 THAT BILATERAL AGREEMENT WITH CHILE  
IS NOW IN FINAL DRAFT STAGE WITH ALL ASPECTS AGREED  
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EXCEPT FOR FEW MINOR TECHNICAL POINTS AND ONE

IMPORTANT ISSUE: THE CONSOLIDATION INTEREST RATE. BIERING SAID THAT HE WILL BE MEETING WITHIN SEVERAL DAYS WITH CHILEAN CHARGE AND INITIATE INTEREST RATE DISCUSSIONS BY PROPOSING RATE OF 8.5 PERCENT, OR MORE. HE RECOGNIZED THAT CHILEANS WILL BE SHOCKED BY THIS FIGURE BUT BELIEVES IT SUPPORTABLE IN VIEW OF RAPID RISE IN COMMERCIAL INTEREST RATES SINCE 1972 CONSOLIDATION.

2. EMBOFF EXPRESSED SURPRISE AT HIGH FIGURE IN LIGHT OF BIERING'S COMMENTS EARLIER THAT DENMARK WOULD PROBABLY SETTLE SOMEWHERE IN THE 6-7.5 PERCENT RANGE (REFTEL). BIERING SAID TWO FACTORS HAVE CAUSED STIFFENING IN THE DANISH POSITION: (A) FINANCE MINISTRY'S INSISTENCE THAT RATE BE INCREASED BECAUSE OF VERY HIGH COST OF MONEY IN DENMARK; AND (B) RISING POLITICAL SENSITIVITIES ABOUT CHILE, ABETTED RECENTLY BY VISIT OF MRS. ALLENDE TO DENMARK. BIERING SAID DANISH GOVERNMENT MUST BE PARTICULARLY CAREFUL TO AVOID EXCESSIVELY LARGE DIFFERENTIAL BETWEEN CONSOLIDATION INTEREST RATE AND COMMERCIAL RATES; TO DO SO WOULD MEAN TROUBLESOME CHARGES THAT THE GOVERNMENT IS PROVIDING AID, NOT DEBT RELIEF. BIERING ADDED THAT STARTING POINT OF 8.5 PERCENT, OR MORE, IS NOT OUT OF LINE WITH SOME OTHERS; HE UNDERSTANDS SWEDES ARE ASKING 8 PERCENT. HOWEVER, HE FELT THAT DENMARK WOULD PROBABLY BE WILLING TO COMPROMISE AT LOWER FIGURE, PROVIDED CHILE COMES UP WITH GOOD ARGUMENTS. HE HOPED THEY WOULD. IN THAT CASE, HE WOULD NOT EXCLUDE THE POSSIBILITY THAT DENMARK WOULD GO DOWN TO THE FIGURES HE HAD GIVEN US EARLIER.

3. EMBASSY COMMENT. BIERING CLIMBED UP THE INTEREST RATE HILL AND DOWN AGAIN. THE CONVERSATION IS INTERESTING, HOWEVER, AS INDICATION OF INTERPLAY OF DOMESTIC POLITICS WITH THIS SENSITIVE ISSUE. THE RECENT GOVERNMENT CRISIS LIMITED OFFICIAL USE

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AND THE CONTINUING MINORITY POSITION OF THE PRESENT GOVERNMENT MAKE IT MORE THAN USUALLY SUSCEPTIBLE TO PRESSURES OF THE SORT ANTI-CHILEAN JUNTA ELEMENTS CAN STILL AROUSE IN DENMARK. DUNNIGAN

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DEBT AGREEMENTS, DEBT REPAYMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 01 OCT 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974COPENH02750  
**Document Source:** CORE  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**From:** COPENHAGEN  
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**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** COPENHAGEN 1821  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 04 APR 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <04 APR 2002 by boyleja>; APPROVED <22 JUL 2002 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CHILE DEBT RESCHEDULING  
**TAGS:** EFIN, CI, DA  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005